



The economic case for cooperatives in developed and developing countries: are there any special characteristics in particular country settings: A case of Mondragon, Spain and Kenya

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The National Cooperative Business Association CLUSA International

Established in 1916, **NCBA CLUSA** is the **oldest** and **largest** U.S. trade association for cooperatives—representing all co-op sectors.



CUNA

Credit Union National Association



Sectors

Agriculture
Retail
Electric
Worker
Purchasing
Credit Union
Housing

Examples

Food
Credit Unions
Financial Services
Child Care & Preschool
Co-op Breweries
Healthcare



Cooperatives building an Inclusive Economy

In 2017, the NCBA CLUSA Board adopted a vision that positions the association as a collaborative partner in, advocating for and driver of:

An Inclusive Economy in which people around the world are empowered to contribute to shared prosperity and well-being for themselves and future generations

NCBA CLUSA will leverage the co-operative model and the shared resources of our movement to engage, partner with and empower people from all walks of life, and in particular those left behind by a shifting economy who face the greatest barriers to achieving this goal.

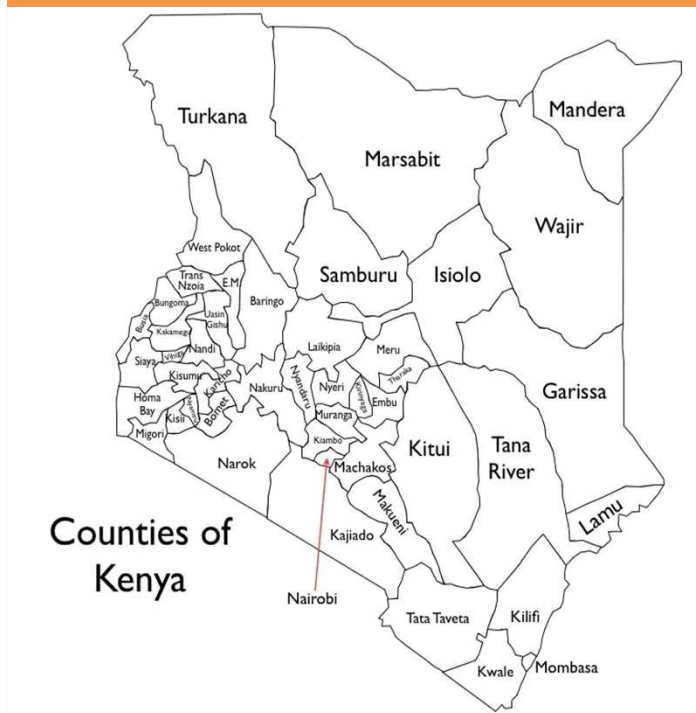
Characteristics of an Inclusive Economy



Kenya

An overview of a journey from 1908

The leading cooperative nation-state in Africa



- It is comprised of over 22,000 registered Co-operative Societies
- Has a membership of over 14 million people.
- Co-operatives cut across all sectors of the national economy such as financial, agricultural, housing, transport among others
- Has total asset base of over Kshs. 800 billion;
- With mobilized savings in excess of US\$ 6.4 billion constituting over 48% of national savings (IMF, World Bank Economic Outlook 2014), which has significantly contributed to the provision of affordable credit.

An overview of a journey from 1908

- The total affordable **credit to the co-operators stood at US\$ 3.31 Billion** in 2017 with a recent survey that covered a period of 5 years revealing that;-
 - US\$ 1.18 Billion or 36% credit financing went to land & housing
 - US\$ 670 Million was channeled to the trade sector accounting for 20.5%
- **Financing of consumption & social activities** accounted for US\$ 470 Million or 14.5% of the total credit given by the Sacco sector.
- **Education & agricultural sectors** received Kshs. 39 Billion & 21 Billion respectively or 12 % of total credit financing.
- On employment, Co-operatives secures **direct and indirect livelihoods to around 32 million Kenyans** that is two-thirds of our population;
- **Employs over 600,000 persons** directly.

Salient challenges in the cooperative sector

- Lack of harmonization of the co-operative legal framework with the Constitution of Kenya (2010); resulting to inadequate supervision and audit at the county level leading to loss of members contributions.
- The dual legal incorporation of co-operatives under both the Companies Act, and the Co-operative Societies Act which complicates supervision and regulation.
- Indebtedness by co-operatives particularly those engaged in commodities and agricultural production;
- High cost of finance in Kenya thereby making credit expensive;
- Inadequate market access;
- Indebtedness by co-operative enterprises particularly those engaged in commodities and agricultural production;
- Inadequate research in emerging co-operative products and services;
- Low participation of youth, women and people living with disabilities
- Low adoption of ICT and use of manual (paper-based) operations;
- Lack of credible data and information
- Weak governance in co-operatives;

Remedial action towards enabling the co-operative business model

- Finalize and implement the **National Cooperative Development Policy** and the related **legislations**.
- Put in place **good co-operative governance** with a clear **separation between the roles** of the management and the board
- Widen the role of **Sacco's** to not only undertake savings mobilization, investments and credit management but also to venture into; participating in the **National Payment System; Agency Banking and Share Trading**.
- The **Agricultural Co-operatives** are expected to play a critical role in the various value chains in terms of:-
 - Adoption of mechanisation and provision of **farm inputs** to their members to **improve production**
 - **Getting markets** for the agricultural produce for the members.
 - **Carry out value addition** on the raw produce for increased incomes.
 - Access government support e.g. of transportation and improved storage technologies such as milk coolers and silos.
 - Introduction of Co-opFarms
- **Co-operative Civic Education, Training & Research** is being enhanced as upheld by the co-operative values and principles.
- **ICT adoption** to enhance efficiency and protect against cybercrime/fraud.

Mondragon, Spain

Spain; The Mondragon model in the Basque Country



Spain: Regions



Mondragon model founded in 1956 by Father José María Arizmendiarieta, the Mondragon Cooperative Corporation currently consists of 102 federated cooperatives employing over 73,000 people.

Foundation of the Mondragon model



“Nothing differentiates people as much as their **respective attitudes to the circumstances in which they live**. Those who opt to make history and change the course of events themselves have an advantage over those who decide to wait passively for the results of the change. ” Jose María Arizmendiarieta (1915 – 1976)

Mondragon, Spain - as a non-capitalist alternative model

Mondragon Corporation (MC) is the most successful business group in the Basque Country, and the seventh largest in Spain; as a cooperative group it is unique in the world

It is argued that a company cannot be both efficient and equitable at the same time;

- Efficiency is associated with traditional capitalist companies, which pursue it at the expense of equity; meanwhile equity is associated with cooperatives, and is perceived as a trade-off for expansion and efforts to become truly competitive.
- A choice is often made between small equitable cooperatives and efficient competitive companies, in a global economy and market logic in which no other option seems possible.

Mondragon proves this dichotomy as incorrect;

- It has created a cooperative structure which is highly competitive in the capitalist market.
- It is highly egalitarian and democratic in its approaches to management

Mondragon, Spain - as a non-capitalist alternative model

The Mondragon Corporation, a group of cooperatives, is a thriving example of how cooperatives can succeed.

Developed on 6 features that show this humanistic focus

- Democracy leading to competitiveness,
- Solidarity in profit for economic growth,
- Solidarity among workers across the corporation,
- An egalitarian salary scale,
- Maximum job security and minimum temporary work,
- Specific advantages for members.

The five successful actions also reflect this approach

- Created a banking system to connect all the individual cooperatives;
- It re-invests its profits
- Emphasizes a humane management orientation;
- It reinforces both open intellectual debates and grassroots democracy,
- It has created its own social security system.

Mondragon, Spain – aspirations and impact

- Has most **equal income distribution**, and thus the fewest social inequalities
- In the Basque Country in general, the **unemployment rate is currently 8,8% compared to 20,8% in Spain overall**, a factor attributed to the Mondragon corporation
- Frequently, cooperatives limit their economic activity to small, marginal markets, and either **subsist on state subsidies** or require that their workers to make great sacrifices (self-exploitation) in order to survive.
- The choice to be a **cooperative is often based on ideology rather than efficiency**.
- The cooperatives within Mondragon Corporation, however, are **competitive in different sectors** of the economy including: industry, distribution, finance and knowledge.

Thank You



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